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5 March 1957

MEMORANDUM FOR: Deputy Director/Intelligence

SUBJECT: The Polish Trade Discussion

1. The meeting of 4 March dealt with responses to American questions dealing with Polish agriculture, general Polish industry and investment, and the coal industry. Some additional questions on Polish industry are to be completed at the session on 5 March.
2. The attitude of the Polish delegation was again that of more polite formality, but they seemed anxious to be on with the basic mission of the negotiations when the question of agenda was brought up at the close of the session. The questions considered at this session were answered in great detail. This was the first occasion on which answers were given in such detail that they were of considerable use for commercial analysis as well as intelligence analysis. (A detailed enumeration of the material presented is being prepared.)
3. These fellows have sounded more like confirmed socialists than Marxists the last two sessions in comparison to little ideological identification in most of the early sessions. Raczkowski is brilliant, very Westernized and a genuine socialist but completely familiar with Western economic thought. Kotlicki, the Chairman, is very quick witted, anxious to please but proud, and in no way to be walked upon. Iwashkiewicz and

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Karpinski are competent bureaucrats but a little dull, Iwashkiewicz very anxious to please, Karpinski with a bit of vain pride. Adamski hasn't opened his mouth, appears rather cynical and inclined to be curt and impatient in asides to his colleagues.

4. Detailed material on agricultural production, consumption, prices and patterns of trade were presented much of which material has never before been available in the West. Again no effort was made to gild the agricultural situation although no effort was made to present an unduly depressed estimate. Mr. Iwashkiewicz pointed out that grain production has barely exceeded 1938 by 1956 and that the gross increase in all crop production in 1956 was only 3.1 percent over 1938 output. Total gross agricultural output in 1956 exceeded 1938 by only 8.7 percent, the higher gross rate being a result of gains made in animal husbandry and meat production.

5. Data on Polish stocks of certain foodstuffs appeared quite low compared to those we have been accustomed to in the USSR. Grain stocks are approximately up to the 1.2 million metric ton level desired to guarantee them against possible short fall in agricultural deliveries in 1957 as a result of reduction in compulsory deliveries. Grain stocks on 1 August 1956 had fallen to 300,000 tons which they indicated was only one month's supply for the urban population. Meat reserves have increased as animal production has increased but the stock is only large enough to guarantee the supply of the market during the non-slaughtering seasons. Butter stocks in 1956 were only 1,600 tons, a level they hope to raise by 1960.

- 2 -

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6. Mr. Iwashkiewicz again indicated that Poland's post World War II agricultural statistics had never employed biological yield, only produce in the barn. He pointed out that the same statistical system was in use as before the war with modest improvements. He thought data on peasant production had improved considerably although it was still a source of probable error of underestimate.

7. No reduction is planned in the agricultural labor force; indeed, it was considered likely that agricultural labor may be increased. The increase in agricultural labor will, however, be less than the natural rate of maturity to the working age population in rural areas. Thus, there will be a continued decline in the share of the total labor force engaged in agriculture.

8. At this point Iwashkiewicz indicated that there was a tendency to use labor force data within a limited range in 5 year plans. For "the long-range plan (a 20 year plan) we make much greater use of labor force data; and, although this plan is in the formative stages, it relates very closely to the rate of growth of the labor force."

9. Mr. Karpinski stressed the influence of training and education in improvement of labor productivity in his defense of planned rates of growth in Polish industry for the 1956-60 plan period. Mr. Raczkowski also placed emphasis on the training of technical personnel as a factor in the staying of an even more disastrous decline in coal productivity than has in fact occurred.

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10. The small increase planned for the steel industry in 1956 includes an approximate 2 percent reduction in the allocation to defense industries and producer goods' industries. The industrial sector as a whole will receive a smaller share of investment funds in this plan than in the last although the total sum invested will show an increase.

11. The Chairman of the Polish Delegation answered the questions dealing with CEMA (Council for Mutual Economic Assistance). He pointed out that CEMA is a rather loose organization concerned only with relationships within communist states, "that it is done only incompletely, and would not be nearly as important as the development in Western Europe." He pointed to difficulties which arose from Poland's inability to meet coal delivery commitments to the Bloc. Poland had a "problem with production and balance of payments. We went to Western countries and we will continue to trade with Western countries in the near period." (I got the impression at least 5 - 6 years.)

12. Mr. Raczkowski concluded with an interesting and enlightening commentary on the labor force and labor productivity in the coal industry. He pointed out that labor turnover in coal mining had been exceedingly high, in some years as high as 50 percent. Poland had been obliged after 1949 to use "prisoners" and soldiers in the mines as well as work Sunday shifts. As high as 20,000 prisoners had been employed in the mines. During 1956, prison labor in the mines had been eliminated completely and almost all military labor has been removed. Sunday shifts have also been reduced

- 4 -

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in recent years and should disappear by 1958. Despite these conditions, free laborers in the mines were free to leave this work as they chose and only moral suasion could be used to get them to work the long overtime required. He outlined the principal causes of the decline in productivity per worker in coal mining since 1949 as:

- a) huge labor turnover,
- b) too little capital equipment allocated to mining,
- c) miner objection to the introduction of new mining equipment
(fear of technological unemployment of all things)
- d) increased transport distances underground.

13. The meeting for 5 March will complete the general questions, consider agenda items, contain a brief statement by the U.S. Chairman indicating the general nature of the limits of the U.S. position and the initial statement of the nature of the Polish request.

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